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The Asian Century? Not Quite Yet

JOSHUA KURLANTZICK

This past summer China's leaders, taking a far more assertive posture toward America than they had in recent memory, publicly warned the United States to stay out of any disputes regarding the South China Sea, over which the People's Republic in 2010 claimed sovereignty. Chinese officials also temporarily froze military-to-military ties with the Americans, and refused a

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visit to the country by US Secretary of Defense Robert Gates. “This is the most aggressive, the most openly promoting its power, that I've seen from China,” said one longtime US official focusing on Asia.

Predictably, some observers have interpreted Chinese officials' recent attitude as signaling a broader geopolitical shift. They declare that not just China but Asia in general is ready to dominate global business and international security. Asia, after all, boasts the global economy's new powerhouses, including India and China, as well as fast-growing countries such as Vietnam and Indonesia. It contains the majority of the world's people. Its leading powers are building militaries to match their economic might. India's defense spending, for example, is rising by double digits annually, according to the International Institute for Strategic Studies.

China, it is suggested, is investing in state-directed, efficient policies in economics, infrastructure, technology, and science that will give it unbeatable advantages in new industries like renewable energy. And this is happening as America's political system seems increasingly dysfunctional, particularly in the aftermath of the

“shellacking” that President Barack Obama's party suffered in November 2010 midterm elections.

The pundit class certainly has bought the Asia-rising line. *The New York Times's* Thomas Friedman, always attempting to predict global trends, hammers Washington for apparently falling behind its Asian competitors. “You will not just be buying your toys from China. You will buy your next electric car, solar panels, batteries, and energy-efficiency software from China,” warned Friedman, in an article comparing China's challenge with the Soviet Union's 1957 launch of the Sputnik satellite, and touting China's centralized approach to governing, which of course does not require passing legislation through a real parliament.

But the rush to proclaim the Asian century, and to lump America together with failed imperial giants like Britain in the mid-twentieth century, may be rash. To be sure, the effects of the 2008 financial crisis, including budget deficits that have been swelled by Obama's recovery package, will continue to test the US economy's strength and flexibility. Eight years of scorn for science and technology during the George W. Bush era have hurt American innovation. The excesses of the early years of the war on terrorism have diminished the United States' soft power around the world.

Still, for all its economic might, Asia remains, overall, so much poorer than the United States that the region will take decades to catch up—if it catches up at all. Asia faces considerable demographic, political, and environmental challenges. The region is certainly less coherent than the West: Despite its growing intraregional ties, Asia is a long way from building the types of organizational links common in the European Union. In fact, major Asian powers like India, China, and Japan still seem as likely to go to war with each other as to work together to create common institutions.

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For all the media ink spilled about Asia's embrace of the technological future, the region still lacks the kind of innovators who have made the United States the king of cutting-edge industries. And, despite the economic success of China and other Asian nations, the region's giants still do not inspire other countries through the power of their ideas, the central element of America's lasting appeal. Indeed, the Obama administration already has started to take a tougher line with China and other Asian powers, in part because of the White House's recognition of America's enduring strengths.

THE ECONOMIC CHALLENGE

Predictions of America's decline are hardly new. As the journalist James Fallows chronicled in *The Atlantic* earlier this year, this sort of jeremiad—a brutal assessment of the nation's sorry state—is an American tradition. Every few decades, leading thinkers or politicians argue that the United States has fallen into decline, a prophecy intended as a wake-up call for Americans to rebuild their nation.

But the fears today seem different. For all the worry America experienced during the Sputnik era, the United States at the time dominated the global economy. Communism did pose an ideological challenge to the basis of the US economy, but few serious economists believed the Soviet Union could ever match the strength of the American economic system. In the late 1980s, both Europe and Japan appeared ready to challenge the United States. But no one worried then that America's economic competitors could become military threats as well.

Things seem different today. The financial crisis and persistent joblessness in the United States have punctured confidence in liberal, free-market capitalism itself. Even according to the most optimistic projections, America will run a federal deficit of more than \$1.4 trillion next year. If the world moves away from the dollar as a reserve currency, as some Chinese and European financial officials have proposed, even that foundation of American financial strength could collapse.

By contrast, many of Asia's powers survived the 2008 financial crisis relatively unscathed. They survived in large part, Asia's cheerleaders argue, because their governments take a much

more interventionist approach toward the economy, funneling state resources to strategic sectors, overseeing and directing bank lending, and maintaining extremely tight connections between government and corporate leaders. South Korea has used this strategy to create massive *chaebol* corporations like Samsung; China has intervened in its economy to build corporate giants like PetroChina, which for a time was the world's largest company by market capitalization.

In some Asian states, such as China and Singapore, this model extends to the political realm as well. Governments combine gradual economic liberalization and state control of critical industries with tight political control—control that prevents the messy political squabbling that in the United States gums up the legislative process and supposedly prevents the country from setting national priorities like rebuilding the nation's infrastructure.

Asia's leaders, increasingly confident, no longer hesitate to advertise their interventionist model—or to criticize the models of others.

China now provides training for some 15,000 foreign officials annually, mostly from the developing world. These officials learn elements of China's political and economic model. And foreign elites seem to be listening: From Syria to Russia

to Cuba, leaders talk of how they can copy the "China model" of development and adapt it to their states.

Meanwhile, Asia's giants have started venturing out into the world. India and China now dominate investment in many parts of Africa—China has become the continent's largest lender, surpassing Western countries and also institutions like the World Bank—while Indian, Korean, Singaporean, and Chinese corporate titans are eagerly scouring the West for assets available at fire-sale prices. In 2008, the Indian automotive giant Tata Motors purchased Jaguar, a subsidiary of Ford; the Chinese automaker Geely more recently snapped up Volvo, also owned by Ford. Singapore's state investment fund poured money into the investment firm Merrill Lynch.

In fact, Asia now appears to be the only engine of the sputtering world economy. "Key emerging economies in Asia are leading the global recovery," says the International Monetary Fund. If their growth trajectories keep up, China by 2025 will

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have surpassed the United States as the world's largest economy, with India just behind.

Asia's powers are, in some ways, simply reclaiming what is theirs. India, China, and Vietnam were powerful long before the United States ever existed, and their sheer size gives them significant advantages. The characteristics of their workforces—massive, educated, and cheap (because the size of the labor pool keeps wages down even for educated men and women)—seem like an invincible combination. And because some of Asia's biggest players are still, compared to the West, less wealthy, they have much more room to grow than does a developed economy like America's.

As advocates of the rising-Asia theory see it, the region's powers are also beginning to unite. Building on the success of the Association of Southeast Asian Nations (ASEAN), Asia has started to create institutions similar to ones established in the early days of the European Union: region-wide financial summits, trade liberalization deals, and nascent security groups. Ten Southeast Asian nations have inked a deal with China that will create the world's largest free trade zone, and Southeast Asia is in the process of creating a similar agreement with India.

The military balance of power in Asia is shifting too, as America's economic competitors are increasingly seen as competitors in the security realm as well. China has begun to challenge the United States militarily, sending attack submarines to patrol close by American warships, and launching a missile as a test for destroying satellites, potentially boosting the militarization of space.

Beijing is building port facilities from Pakistan to Myanmar, so that it can create a blue water navy capable of projecting force far from its borders. It reportedly has developed massive cyberattack capabilities designed to paralyze the Pentagon's computer systems. Even smaller Asian states are ramping up their armed forces—the region has supplanted the Persian Gulf as the critical market for the world's arms sellers.

TURMOIL AHEAD

Even so, predicting the future is a dangerous game, particularly for countries, like China, India, and Indonesia, that are changing so rapidly. There is little reason to believe that Asia's giants can

avoid political turbulence—turbulence that could easily halt their growth trajectories. China's rapidly aging population, a result of its three-decade-old “one child” policy, will force it to confront staggering social burdens before it is rich enough to create a large-scale social welfare scheme like America's Social Security.

As China's labor force shrinks in relation to its total population, wages will rise, thereby depriving the country of much of its competitive economic advantage. Aging Chinese will retire with only their sole sons or daughters to support them. This will cut into family savings, and eventually Beijing will have to launch social welfare programs that will drain the country's treasury. According to a study by the Center for Strategic and International Studies, by 2040 at least 400 million Chinese will be elderly, and most of them will have no pensions.

Other Asian powers face major social hurdles as well. Japan, whose public debt already exceeds 200 percent of its GDP, confronts an aging population similar to China's. In India, China, and

Vietnam, because of traditional preferences for boys, and the broad availability of ultrasounds and selective abortions, sex ratios are skewed, with young men markedly outnumbering young women. As history shows, having too many unmarried men can lead to a highly combustible situation; large numbers of unmarried men may turn to crime or political agitation, or simply flee the country.

Worse types of political unrest loom over the horizon in Asia. Inequality is skyrocketing. China now suffers from the worst income inequality in East Asia: Rural areas of the country, where farmers live on less than \$300 per year, seem like a world apart from the flashy cities of the eastern and southern coasts, where income per capita can top \$7,000. This income inequality comes in combination with environmental degradation, the result of breakneck growth with virtually no restraints. Because of policies favoring Chinese cities, rural areas have suffered far more from environmental catastrophe. Water shortages are intensifying. Today, much of northern China's breadbasket is in danger of going dry. And, according to the World Bank, the country has 20 of the world's 30 most polluted cities, largely due to massive coal use.

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As a result of inequality, government corruption, and ecological disasters, China now experiences tens of thousands of “mass incidents” (that is, protests) each year, according to statistics compiled by the government’s own bureau of public security. Most of these protests take place in rural areas. In recent years, protests have become increasingly violent, with demonstrators attacking local Communist Party offices with clubs, axes, and bombs.

Other Asian powers face similar problems. In India, Maoist insurgents known as the Naxalites have destabilized much of the country’s east by attacking large landowners and other members of the upper classes, and Muslim terrorism remains a significant threat, suggesting a possible future of widespread unrest across the subcontinent. Malaysia, once considered the model moderate Muslim nation with sizable non-Muslim minorities, has this year witnessed a rash of attacks on churches, including firebombings. Vietnam and Cambodia suffer from unrest over inequality; the Vietnamese government has grown so concerned about challenges to its authority that over the past year it has cracked down extremely hard on dissidents.

POLITICAL WEAK SPOTS

Dictatorships, whether in China, Cambodia, or Vietnam, are poorly suited to manage environmental crises or political unrest. Effectively addressing popular grievances over environmental and land-use issues requires decentralized political power, so that local people have some say in decisions made about their land. Yet Asian authoritarians’ massive projects, like China’s Three Gorges Dam, which resulted in the relocation of millions of people, normally are put into motion without any local consultation, potentially sparking anger for generations.

Asia’s cheerleaders give the region’s authoritarian regimes, and their interventionist economic strategies, far too much credit for economic growth and stability. There is no evidence that Asian autocrats are more enlightened than autocrats anywhere else: For every China, where the leadership has proved relatively stable and wise in the post-Mao period, there is a Myanmar, where the regime has run what was once one of Asia’s most promising economies into the ground.

Worse, to maintain legitimacy in the absence of real elections, many of these authoritarian states whip up popular nationalism, which only drives

Asia apart, destabilizing the region. In China, the government has promoted nationalism by using school textbooks that demonize Japan and the West. In Cambodia, the government has stoked nationalist fervor by scapegoating Thai businesses, investors, and migrant workers. Partly as a result, polls show that average Chinese today have harshly negative views of Japan, while Cambodians in Phnom Penh have on several occasions attacked and looted Thai businesses. Such nationalism can lead to saber-rattling or worse.

Despite nascent efforts at regional integration, Asia remains far more divided than united, and is certainly a long way from building the type of unity enjoyed in Europe. Despite growing cross-border trade, over the past year China and India have ratcheted up tensions over disputed regions bordering Tibet. Both sides are expanding their military forces in the Himalayas while also setting up listening posts in Indian Ocean ports to monitor each other’s naval buildups. Meanwhile, China and Vietnam skirmish over disputed areas of the South China Sea, and ultranationalist North Korea recently has attacked South Korean vessels and initiated an artillery exchange with the south.

The fact that few Asian nations welcome immigrants (Singapore is a notable exception) also fosters nationalism—and prevents Asia’s economies from becoming as dynamic and innovative as America’s. Unlike in Western nations, it is almost impossible in China, Japan, Indonesia, or South Korea for a foreigner to become a naturalized citizen. Xenophobic Japan is one of the most immigrant-resistant nations on earth—Shintaro Ishihara, a virulently right-wing foreigner-basher, is the highly popular mayor of Tokyo.

In part because of this antipathy toward immigration, which inhibits the influx of new ideas and capital, and in part because of heavy state control of economies, Asia—outside of Japan—still boasts few world-leading companies, and even fewer that have developed groundbreaking new technologies. Many of the region’s largest businesses, like the Chinese oil firm CNOOC, are state enterprises, backed by government policies. Many others are simply platforms for low-cost manufacturing for multinational firms. American companies, not their Asian competitors, still dominate patents granted in the United States, the country that offers the world’s most prestigious patent protection.

Not all elements of Asia’s rise necessarily threaten the United States. Some of Asia’s developing giants, like India and Indonesia, could become

close partners with America in trade, in security cooperation, and in political values. As Asia develops, it will become less dependent on a mercantilist model of growth that relies primarily on exports to the West (and, in the case of China, on an artificially cheap currency). A shift to an Asian economy based more on domestic consumption will provide opportunities for American exporters and will create a more equal balance of trade between the United States and the region.

ADVANTAGE AMERICA

The United States, in the meantime, remains the world's default superpower. America's economy is worth more than three times as much as that of the second largest in the world. The United States ranks second, behind only tiny Switzerland, in the "Global Competitiveness Report," an annual ranking by the World Economic Forum of the most open and business-friendly nations. And America is still the country most capable of projecting military force far beyond its borders. Indeed, a major reason that Beijing has stepped up its cyber-attack capacity is that it is decades away from challenging US military dominance. In the event of a conflict China would have to resort to asymmetric warfare.

Despite hand-wringing by pundits like Friedman, the United States is still the capital of global innovation, dominating new industries like biotechnology and renewable energy. Asia's immigration practices and penchant for government-directed industrial policies make it harder for entrepreneurs to launch new companies or for venture capital communities to develop: India and China's venture capital firms tend to be small and timid, while other Asian nations, like Indonesia and Thailand, lack real venture capital communities altogether.

By contrast, according to a study by AnnaLee Saxenian of the University of California at Berkeley, Chinese and Indian immigrants founded almost one-quarter of all companies in Silicon Valley. Asia's high barriers to immigration not only inhibit the flow of new ideas in the business world; they also undermine attempts in the region to build world-class universities, which thrive on migration and free exchange. In the most comprehensive global ranking of universities, compiled by Shanghai Jiao Tong University, American schools, powered by immigrants and flush with

cash, dominate the top 100. Asia has no schools in the top 10.

The United States also still offers the appeal of ideas—ideas about universal human rights, a more just society, and real economic and political freedoms. No Asian power, including China, can offer such a complete political and economic vision. America may not always live up to its own ideals, but these ideals can still inspire. They are the reason that rights activists from Myanmar, or Sri Lanka, or Uzbekistan, or many other Asian states still address their campaigns to Washington first. They explain why, during recent protests in Iran, many demonstrators called on the United States to take notice and respond to their actions. The protesters did not call for China to take notice, though some reportedly chanted "Death to China," in recognition of Beijing's support of Iran's repressive government.

Perhaps most important, the world still trusts the United States, despite all its faults and mistakes, more than any other major power. Only Washington has both the means and the desire

to work for global common interests: international security, human rights, safety on the high seas, a liberal trading system, and other shared goals. China refuses to play this role of protecting the global commons; India, Japan, and every

other Asian power refuse as well. When presented with an opportunity to lead—on trade issues, on climate change, on Iran or North Korea, or, more recently, on competing claims to the South China Sea—Beijing often claims that it is still relatively poor and thus cannot play a leadership role. China prefers to focus on narrow national interests.

OBAMA'S APPROACH

Maintaining American predominance is, of course, hardly assured. Still, Obama has put the country on the right track after it had veered badly off course under his predecessor. Obama has taken critical steps toward resolving a national financial crisis while at least trying to demonstrate to global markets, which are key to confidence in the dollar and in American bonds, that he does not intend to allow deficits to spiral out of control.

The president has also begun rebuilding America's soft power, a key part of the United States' enduring influence, by reinvesting in international institutions and dialing back some of the

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Bush administration's abuses. The eventual withdrawal of US forces from Afghanistan, combined with a pullout from Iraq, will allow the Pentagon to regroup and refocus on other potential challengers. This should boost America's soft power as well, because Washington will no longer be viewed as an occupier of Muslim lands.

After initially deferring to China and other Asian powers, the Obama White House has begun to realize, and assert, that the United States is going to remain a major Asian power for decades to come, and that its presence is desired in Asia by most countries. This past summer, at the ASEAN Regional Forum, Secretary of State Hillary Clinton declared that Washington was concerned about the competing claims for the South China Sea, and said the United States backed an international, collaborative, diplomatic process for dealing with the claims—a rebuke to China, which claims sovereignty over the sea.

Shortly thereafter, Washington launched a nuclear cooperation program with Vietnam. The Obama administration is cultivating an increasingly close security relationship with Vietnam, partly as a balance against China's power. In addition, the White House has noted in many forums, public and private, that Southeast Asian nations desire a continued American military presence in the region, and that Southeast Asian states view the United States as a more honest broker than China in addressing contentious regional issues.

Even when dealing directly with Beijing, the administration has become less deferential after its first year in office. It has not received the cooperation it wanted from China on issues from climate change to Iran, and increasingly the White House has realized that America's global position is not as weak as it seemed.

In its first year in office, the Obama administration allowed Chinese officials to dictate the president's agenda during his fall 2009 trip to China, and gave in to pressure from Beijing to avoid the Dalai Lama when the Tibetan leader was in Washington. In 2010, by contrast, the US administration launched a new initiative designed to promote internet freedom, which is clearly intended with China (and Chinese cyberdissidents) in mind. Washington took on China over the South China Sea. The administration finally met with the Dalai Lama. It followed through on a \$6 billion sale of military equipment to Taiwan, infuriating Beijing. Obama, in a November 2010 trip to Asia, avoided China and used his visits to Asian democracies as a means of standing up to Beijing.

Some Chinese officials privately warn that, by allowing such friction, Washington will in the long run hurt itself, since China, once it is even stronger, will not forget how it was treated as an emerging power. But for now, China's lack of real Asian allies, even at a time of American weakness, places limits on the extent of the Asian power's rise. ■